United Nations E/2008/SR.12

Economic and Social Council

Provisional

1 August 2008

Original: English

Substantive session of 2008
High-level segment

Provisional summary record of the 12th meeting
Held at Headquarters, New York, on Monday, 30 June 2008, at 9 a.m.

President: Mr. Mérorès ..... (Haiti)

Contents

Opening of the session

Adoption of the agenda and other organizational matters

Statement by the President

Address by the Under-Secretary-General for Economic and Social Affairs, speaking on behalf of the Secretary-General of the United Nations

Keynote addresses on the theme: "Achieving sustainable development"

High-level policy dialogue with the international financial and trade institutions on current developments in the world economy

Corrections to this record should be submitted in one of the working languages. They should be set forth in a memorandum and also incorporated in a copy of the record. They should be sent *within one week of the date of this document* to the Chief, Official Records Editing Section, room DC2-750, 2 United Nations Plaza.

08-40538 (E)

The meeting was called to order at 9.15 a.m.

Opening of the session

1. **The President** declared open the substantive session of 2008.

Adoption of the agenda and other organizational matters (E/2008/9/Add.14, E/2008/82, E/2008/ 87, E/2008/100, E/2008/L.5, E/2008/L.6 and E/2008/CRP.1)

2. *The provisional agenda, as contained in document E/2008/100, was adopted.*

3. **The President** drew attention to the proposed programme of work for the substantive session of 2008 (E/2008/L.5) and details of the status of documentation for the session (E/2008/L.6) and (E/2008/CRP.1).

4. *The proposed programme of work was adopted.*

Requests from non-governmental organizations to be heard by the Economic and Social Council

5. **The President** drew attention to the requests from non-governmental organizations for hearings before the Economic and Social Council, contained in document E/2008/82. At its resumed 2008 session, the Committee on Non-Governmental Organizations had decided to recommend that the organizations mentioned in document E/2008/82 should be heard under the agenda items indicated therein. If there was no objection, he would take it that the Council wished to adopt the Committee's recommendation, contained in paragraph 2 of that document.

6. *It was so decided.*

Statement by the President

7. **The President** said that for the first time, the Council was operationalizing all the new functions mandated by the 2005 World Summit.

8. Rising food and fuel prices, the deepening credit crisis, persisting global imbalances and the declining growth of the world economy, compounded by the disruptive effects of climate change, posed a serious threat to efforts to reduce poverty and achieve internationally agreed development goals, including the Millennium Development Goals (MDGs). The challenges for the developing countries, and especially the least developed among them, were even more serious. Some of them were already falling behind the schedule for achieving the Goals and could face turmoil unless urgent, collective action was taken.

9. Many island States might cease to exist unless the consequences of global warming, particularly rising sea levels and increasingly frequent and serious natural disasters, were addressed. The growing realization that mitigation and adaptation measures were needed must be supported by concerted, collective action; negotiations on post-2012 arrangements provided an opportunity to launch such action and to enhance financing for developing countries' adaptation efforts. It was more important than ever to put into practice the concept of sustainable development, which integrated economic growth, social development and protection of the environment.

10. Despite increasing awareness of long-term sustainability problems, there had been no significant movement on issues such as climate change, deforestation, biodiversity and desertification. The annual ministerial review should contribute to the effort to promote collective solutions, including by strengthening governance and global cooperation, creating markets for sustainable development, increasing financial assistance and promoting the transfer of technology. The current sectoral approach to the pursuit of development goals would not suffice to meet the threats posed by climate change; national governments, as well as the United Nations system, must develop integrated approaches that placed the issue of sustainability at the centre of development strategies. He urged the Council to send the unequivocal message that if development was not sustainable, it was not attainable and to call for determined action.

11. He congratulated the Governments of Belgium, Chile, the United Kingdom, the United Republic of Tanzania, the Lao People's Democratic Republic, Luxembourg, Kazakhstan and Finland for volunteering to make voluntary presentations during the annual ministerial review, which might be the first occasion on which developed and developing countries reviewed their efforts to reach the internationally agreed development goals and to explore ways of addressing delays in implementation. That partnership was a key to success, and both groups of countries must assume their obligations in the collective pursuit of prosperity for all through strengthened global cooperation. The West Asian regional consultation hosted by Bahrain had produced recommendations for action on sustainable urbanization. By drawing on such

consultations and on country-level assessments, the annual review would help to bridge the gap between the agreed targets and the current state of progress towards them and to promote integration of the three elements of sustainable development.

12. At a time of growing uncertainty regarding the timely achievement of the MDGs, the Development Cooperation Forum was uniquely placed to facilitate policy dialogue among a wide range of development actors and to be a leading venue for inclusive global dialogue and policy review on key development cooperation issues. He wished to thank the Governments of Italy, Austria and Egypt for hosting, respectively, the Rome Stakeholder Forum, the Vienna High-Level Symposium and the Cairo High-Level Symposium in preparation for that event. The innovative modalities of cooperation established for the annual ministerial review and the Development Cooperation Forum had promoted interaction among all stakeholders, including civil society organizations, parliamentarians, local government and the private sector, in bridging the implementation gap. The e-discussions, civil society forum and innovation fair provided additional venues for the exchange of ideas and experiences.

13. The Council was becoming better equipped to assess progress on the ground and to encourage action at the national, regional and international levels. Its special meeting on the global food crisis, held at Headquarters from 20 to 22 May 2008, had shown that it could play an important role in highlighting immediate humanitarian needs while emphasizing the importance of long-term solutions. Similarly, the special event on "Achieving the MDGs and coping with the challenges of climate change", held on 2 May 2008, had brought together leading experts to explore the nexus between climate change and development. Those preparatory meetings, coupled with discussions during the substantive session, would lay a strong foundation for the Third High Level Forum on Aid Effectiveness, to be held in Accra from 2 to 4 September 2008, and for the Follow-up International Conference on Financing for Development, to be held in Doha from 29 November to 2 December 2008.

Address by the Under-Secretary-General for Economic and Social Affairs, speaking on behalf of the Secretary-General of the United Nations

14. **Mr. Sha** Zukang (Under-Secretary-General for Economic and Social Affairs), speaking on behalf of the Secretary-General of the United Nations, said that a critical juncture in implementation of the United Nations development agenda had been reached. The fragile state of the major developed market economies, persistent global imbalances and soaring commodity prices were slowing the growth of the global economy. The past year's turmoil was a reflection of systemic weaknesses in global financial markets; rising food and energy prices had a severe impact on poor and otherwise vulnerable people; and climate change and the deterioration of the natural environment, if not addressed in a timely, adequate manner, could reverse progress towards the development goals.

15. For some time, there had been concern that globalization was leaving behind the poorest communities; now, even the middle classes were beginning to feel the effects of a more insecure world. No social or economic order could be secure if it failed to benefit the majority of those who lived under it. Currently, the wealthiest 400 citizens, as a group, commanded more resources than the poorest billion inhabitants, yet a severe backlash against globalization could seriously limit the opportunities and benefits of a more closely integrated world. However, challenges also offered opportunities. Leaders, economists and bankers were seeking short-term remedies to avoid financial meltdown and long-term solutions to systemic inadequacies. Only by engaging all key actors in the effort to redress the woes of the global economy could a more robust financial system emerge from the credit crisis.

16. The Secretary-General was heartened by the collective efforts to deal with the food crisis, including those of the Commission on Sustainable Development, and had established the United Nations Task Force on the Global Food Crisis in April 2008. The crisis had laid bare the need for longer-term planning; a 50 per cent increase in food production by 2030 was needed in order to meet the rising demand. The situation provided a historic opportunity to revitalize agriculture, especially in developing countries where productivity gains had been slow in recent decades, and to help eliminate rural poverty by using small farmers as a key vehicle for achieving global food security. Long-term solutions should encourage the sustainable production and use of clean energy sources, more fuel-efficient technologies and changes in production and consumption patterns.

17. Unprecedented awareness of the challenges of climate change had increased public support for the

sustainable development agenda. The current session of the Council should make it clear that balanced economic growth, social development and environmental protection were key to the prosperity of humankind. Since the Millennium Declaration, all Governments had agreed to seek to manage globalization for the benefit of all. Countries needed flexible policies and institutions tailored to their changing domestic and external circumstances and their individual challenges, and greater global coherence in financial, trade, aid and investment policies should be sought.

18. The Development Cooperation Forum should become the principal venue for global dialogue and policy review on the effectiveness and coherence of international development cooperation. In his report on trends and progress in international development cooperation (E/2008/69), the Secretary-General had echoed the concern that the current aid effectiveness framework was not sufficiently responsive to development issues that cut across multiple sectors such as human rights, gender equality and environmental sustainability. The Forum should give due attention to those cross-cutting imperatives.

19. The Council had proved that it could spearhead a concerted effort to find pragmatic solutions to complex challenges. It had become an interactive forum where collective solutions to both common and individual challenges were discussed and debated. He welcomed the broad participation of parliamentarians, local governments and civil society and congratulated the countries that had volunteered to make national presentations during the annual ministerial review.

Keynote addresses on the theme: "Achieving sustainable development"

20. **Mr. Pachauri** (Chairman of the Intergovernmental Panel on Climate Change), making a PowerPoint® presentation, said that the global community was pursuing an unsustainable path with negative consequences for climate change that would only worsen in the future. The mandate of the Intergovernmental Panel on Climate Change was to assess on a comprehensive, objective and transparent basis the scientific, technical and socio-economic information relevant to understanding the scientific basis of climate change, its potential impacts, and options for adaptation and mitigation. The first drafts of its assessment reports were reviewed by experts; governments and experts then reviewed the second draft of each report, together with the draft summary for policymakers; and, lastly, the revised draft summary was reviewed word-for-word by governments. The Panel's fourth assessment report (2007) had been prepared with the help of 450 lead authors, 800 contributing authors, 2,500 scientific expert reviewers and over 130 countries. All comments received were logged, together with a notation of whether they had been accepted; if they had been rejected, the reasons were also noted.

21. The Panel had estimated the aggregate costs of climate change impacts. For example, if carbon dioxide concentrations were doubled, the cost would amount to between 1.5 and 20 per cent of GDP; the real social cost of carbon would rise by 2 to 4 per cent per year (US$ 10-350 per ton of carbon). The variation between studies in that area was a consequence of uncertainties in climate sensitivity, discount rates and valuation of impacts. The aggregate estimates masked significant differences across sectors and regions, but the Panel was satisfied that its fourth report gave clear estimates of the physical and biological costs and impacts related to temperature changes in the future. It also included regional information, since the effects of climate change were not uniform; the arctic region was warming twice as rapidly as the rest of the world. It was also difficult to estimate the monetary costs of human, social, cultural and environmental impacts.

22. Unless prompt action was taken, 1.2 to 3 billion people worldwide would experience increased water scarcity by 2080; crop revenues could fall by 90 per cent in some parts of Africa by 2100; between 20 and 30 per cent of species could be at risk of extinction if temperatures increased by 1.5 to 2.5 degrees Celsius; floods, droughts and heat waves would become more frequent; and, if the polar ice sheets collapsed, such changes could be abrupt and irreversible.

23. Unless urgent greenhouse gas mitigation measures were taken, large portions of the world would become severely or extremely vulnerable by 2100. Various stabilization scenarios were possible. If the global mean temperature increased by 2 to 2.4 degrees Celsius, carbon dioxide levels would have to peak by 2000 to 2015, then decline rapidly, in order to achieve a carbon dioxide stabilization level of 445 to 490 parts per million. If those levels did not peak until 2020 to 2060, the stabilization level would rise to 590 to

710 parts per million and a mean temperature increase of 3.2 to 4 degrees could be anticipated.

24. The average cost of stringent mitigation worldwide would require a slowing of global GDP growth by less than 0.12 points; moreover, mitigation had benefits such as increased energy security, lower levels of air pollution, jobs in new technological fields and improved public health, that could offset a substantial fraction of mitigation costs. Owing to the inertia of the current climate and socio-economic systems, mitigation efforts were needed in the short term. All the stabilization levels assessed could be achieved by deploying technologies that were currently available or were expected to become so in the coming decades. Between 60 and 80 per cent of greenhouse gas reduction could come from energy supply and use and industrial processes. Significantly decarbonizing power production would require incremental investments of up to US$ 40 billion a year globally and US$ 30 billion a year in countries outside the Organization for Economic Cooperation and Development (OECD). Those costs would be offset by reduced investment requirements resulting from improved end-use energy efficiency. A global increased investment of US$ 2.4 trillion in improved efficiency would be more than offset by US$ 3 trillion savings in energy supply investments; thus, those options were viable and should be pursued as quickly as possible.

25. Both adaptation to the impacts of climate change and promotion of sustainable development had common goals and determinants: access to resources and equity and to risk-sharing mechanisms, stocks of human and social capital and institutional capacity. It was vital to involve local communities, which bore the primary impact of climate change and could be instrumental in putting solutions in place. Economic growth often took precedence over social and economic issues, but appropriate policies were key to improved sustainability and adaptive capacity. Committing to alternative development paths required major changes in economic structure, such as broader use of public transport systems and the introduction of more efficient fuels; better geographical distribution of activities through increased urbanization; new consumption patterns and lifestyle changes; and demographic shifts.

26. There was increasing recognition of a shift towards more inclusive governance, through the cooperation of all stakeholders (government, the private sector and civil society) and the linking of policies for climate change, economic development, health, employment, energy security and the local environment with a view to sustainability.

27. One quarter of the world's people had no access to electricity; 33 per cent of those people lived in India. It would take many years to provide traditional power to the world's most remote communities, but solar lanterns were a solution that could save electricity and kerosene and mitigate carbon dioxide emissions. Through the Lighting a Billion Lives Campaign, implemented in the Gobindarampur region of India, a group of women ran and maintained a system in which the lanterns were charged during the day and then rented to their neighbours at a daily cost of about US$ 0.11 for use in betel leaf cultivation, coaching centres and shops.

28. **Lord Stern** (Author of the Stern Review), making a PowerPoint® presentation, said that climate change and development were the two greatest challenges facing the world in the twenty-first century. They were also inextricably linked: climate change, if mismanaged, could undermine or even reverse development, and development was necessary before the issue of climate change could be adequately addressed. The targets indicated in his presentation should not be understood as traditional, aspirational targets, but firm ones that, if missed, would result in irreversible changes.

29. It was feasible to stabilize atmospheric greenhouse gas concentrations at 500 parts per million (ppm) of carbon dioxide equivalent; if, however, concentrations continued to rise at the current rate, by the end of the twenty-first century the atmosphere would contain over 750 ppm of carbon dioxide equivalent. If that in turn led to an increase of 5 degrees Celsius over time, there would be drastic, planet-transforming consequences, including massive migration. Furthermore, if climate change went unchecked, it would undermine the world food and energy supply. The economic cost of continuing the current trend of greenhouse gas emissions was somewhat difficult to model, as it involved making many assumptions. Nevertheless, on average, the cost of inaction was predicted to be 5 to 20 per cent of national income, compared to the cost of taking action, estimated at just 0 to 2 per cent of national income.

30. It was crucial to cut emissions by half by the year 2050; waiting would only cause the stocks of greenhouse gases in the atmosphere to accumulate, thereby increasing the difficulty of action when finally taken. The Stern Review had concluded that the world could stabilize below 550 ppm carbon dioxide equivalent for around one per cent of GDP, or around 2 trillion dollars a year; stabilization at 500 ppm would cost around 2 per cent of GDP. It was of the utmost importance to start planning now, with clear targets and effective policies, as delayed action and bad policy would only increase costs. Good policy involved commitment by all countries, rich and poor; a broad range of technologies; extensive use of the price mechanism; and support of technological development and sharing. In that connection, the power of the markets must be harnessed in order to achieve the least costly method of change. Political will was essential to all action.

31. One of the key elements of a global framework for addressing the issue of climate change was follow-through on the commitments made at the Group of Eight Summit in Heiligendamm to cut 50 per cent in world emissions by 2050, with rich countries aiming to slash at least 80 per cent. While the primary responsibility for stabilizing emissions lay with rich countries, the fact that the vast majority of people living in the world in 2050 would be from developing countries meant that the latter countries would largely determine the emissions situation in 2050. Credible plans to reach a cap of two tons per capita by 2050 required peaking before 2030. Rich countries must take the lead and not only cut emissions drastically, but also open up cap-and-trade schemes to the world in order to help the flow of funds to developing countries.

32. With regard to the funding of a global framework on climate change mitigation, strong initiatives were needed on deforestation to prepare for inclusion in carbon trading. Global action and a strong role for financial institutions were crucial in that process. Also, the world needed to learn how to use carbon capture and storage technologies quickly and more effectively. Finally, rich countries needed to deliver on Monterrey and Gleneagles commitments on official development assistance in light of the unforeseen additional costs of development arising from climate change. It was crucial to reach an equitable global deal on climate change at the upcoming Climate Change Conference in Copenhagen, but individual country action must not be delayed until the framework was fully in place.

33. **Mr. Akram** (Pakistan) said that, faced with an immediate need to eradicate poverty, developing countries experienced difficulty in simultaneously addressing the issue of climate change. Thus far, no model had provided an answer. Models combining high growth and climate-friendly policies would have to be built by developing countries themselves on a case-by-case basis, and then combined to develop a global model. Even that task required rich countries to deliver first on the already agreed international development commitments and goals. However, in the follow-up to the Bali process, rich countries had attempted to sideline development concerns by focusing on a shared vision for the future. Such a vision was impossible if they did not first deliver on their commitments.

34. A political will and commitment were crucial to achieve a global model. He doubted whether carbon trading was the ideal way to finance reductions in emissions and suggested looking for other solutions. Technology for the development of carbon-friendly policies was not available to developing countries and there were no assurances that future technologies would be available to them either.

35. **Mr. Khan** (Indonesia) said that the situation was deteriorating far more quickly than had been previously expected. Furthermore, developing countries were ill-equipped to confront the effects of climate change. Linking funding of climate change mitigation initiatives to the market was not sufficient. He wondered what other viable options existed, particularly for developing countries, and how regional funding could be obtained to address climate change without jeopardizing existing commitments for development.

36. **Ms. Freudenschuss-Reichl** (Austria) noted that the transformation of energy systems played a key role in linking policies on climate change, economic development, health, employment and local environment. She drew attention to the work on global energy assessment being done at the International Institute for Applied Systems Analysis.

37. She would welcome information from both keynote speakers on how the international community might support regional work on mitigation most effectively and on any geographic or thematic priority areas in that work.

38. **Mr. Ashe** (Antigua and Barbuda) noted that both presentations had emphasized the importance of international collaboration to address climate change. He wondered whether Mr. Pachauri, who had participated in a number of international conferences where the gravity of the situation had been pointed out, detected a collaborative spirit that might help bring about the required solutions.

39. Turning to the presentation made by Lord Stern, who once again made a compelling case for the need to act, albeit one that relied on markets for the solution, he enquired whether there was any possibility of fixing the markets. Lord Stern's apportionment of responsibility between developed and developing countries did not take into account the progress that might have been achieved if the developed countries had immediately begun to take the action that had been suggested in 1992.

40. **Lord Stern** (Author of the Stern Review) said that there was a great deal of information currently available on how to combine rapid growth in developing countries with a low-carbon model. A variety of low-carbon electricity sources existed, such as wind, solar, nuclear and geothermal. As those means of generating electricity were more expensive than traditional coal, there was a need for rapid development of new technologies and international efforts to bring down their costs. In addition, new technologies would have to be primarily funded by the public sector. The market would play a significant role by providing incentives to apply those technologies.

41. He expressed the hope that enough funds would be available for climate change without jeopardizing existing commitments for development. Rich countries must first deliver on the official development assistance (ODA) promised through 2015, and global commitments beyond 2015 would have to factor in climate change to an unprecedented extent.

42. Fixing of the markets could be negotiated in the sense of putting together international cap-and-trade trading schemes, which would require collaboration. The European Union emissions trading scheme provided a model, and more information would become available as other models were developed.

43. Regarding the division of responsibility, he preferred to consider the issue in terms of targets for each country. While the solution that he had offered, which called for 80 per cent of the cuts to be made by rich countries and for a target of 2 tons per capita in poor countries, by 2020 at the latest, did not factor in the history, it represented the minimum as far as equity was concerned. Furthermore, if rich countries would agree to 80 per cent cuts and there was a strong development of technology and markets that allowed for financing, significant progress could be achieved and some of the history could be factored in at a later date.

44. **Mr. Pachauri** (Chairman of the Intergovernmental Panel on Climate Change) said that the difficulty of finding a low-carbon model of growth that made poverty eradication possible stemmed from the fact that the world knew only the model of development that had emerged from the developed countries. Furthermore, that model had evolved at a time when energy prices had been very low and when the countries adopting it had been, for the most part, in control of energy resources. Since then, energy markets had changed dramatically and resources were growing increasingly scarce. North-South cooperation was needed to devise a model of development that was less dependent on energy use, fossil fuel use in particular. In the meantime, developing countries should be given leeway to increase their fossil fuel consumption and emissions. He also drew attention to the importance of South-South intellectual cooperation on promoting sustainable development at the local level, by combining low-cost, low-energy resource choices and use of the most advanced technologies available in the developed world.

45. The market would not be able to finance adaptation. Resources must be made available to provide protective infrastructure to vulnerable areas, such as small island States imperilled by rising sea levels. Not even the richest country in the world would be insulated from the impact of such devastating changes. The fact that the Norwegian Nobel Committee had awarded the Nobel Peace Prize to IPCC and Senator Al Gore clearly indicated the link between climate change and the maintenance of peace; therefore, that dimension of the problem must also be addressed, and every country had both a moral and a self-serving responsibility to do so.

46. Any regime agreed in Copenhagen should place an appropriate price on carbon. There too, assistance should be provided to developing countries, some of which had no means to finance the little — mostly imported — energy they consumed. The global

community should take seriously the inescapable necessity of increasing development assistance in order to address the threat of climate change.

47. The collaborative spirit that had prevailed among developed and developing countries in 1992, when the Framework Convention on Climate Change had been adopted, had dissipated because the developed countries had not done what was expected of them. Once the countries that had the means, the capacity and the historical responsibility for the problem made a strong commitment to lead, as urged in the Convention, the developing countries would do their part to the extent possible.

The meeting was suspended at 11.10 a.m. and resumed at 11.23 a.m.

High-level policy dialogue with the international financial and trade institutions on current developments in the world economy

48. **Mr. Sha** Zukang (Under-Secretary-General for Economic and Social Affairs, Moderator) said that, in the climate of global insecurity, the current meeting was an opportunity to understand the challenges and develop a collective response. The deregulation of trade and financial markets had unleashed new economic activity, but had also unloaded risks and strains onto individuals and households, which were often insufficiently supported by social protection or adequate regulatory frameworks. That situation had been compounded by other threats such as climate change and the global food security crisis.

49. The current *World Economic and Social Survey* had found that a more active policy response was needed to help communities and countries manage the new manifestations of economic insecurity. Increased investment, particularly by the public sector, was essential to mitigate the adverse impact. More universal social policies were also required, in order to strengthen the underlying social contract that was the basis of a stable and just society. Moreover, the slowdown in the world economy risked extending to developing countries, where rising costs had already triggered social and political unrest, jeopardizing the Millennium Development Goals.

50. Global consensus and multilateral action were therefore essential if a global recession and a disorderly adjustment of the global imbalances were to be avoided. Such action should include a stimulus package focused on expansion of domestic demand in surplus countries; policies to support a gradual rebuilding of savings in deficit countries; and measures to stabilize global currency markets and financial markets at large.

51. In order to address the food crisis, the immediate priority was to scale up international resources to meet humanitarian and emergency needs. However, urgent long-term action was also required. There was a need to increase investment across a range of areas, particularly in developing countries, to boost agricultural productivity. Better compensatory financing mechanisms should also be put in place: the report of the Committee for Development Policy had noted that it was critical to provide adequate liquidity and budget support to the poorest countries. Lastly, aid commitments needed to be fulfilled; however, aggregate aid flows from the Organisation for Economic Co-operation and Development had fallen over the previous two years. Conditionality attached to those aid flows should be limited and streamlined.

52. **Mr. Panitchpakdi** (Secretary-General of the United Nations Conference on Trade and Development) said that the previous five years had seen robust growth. However, that period was coming to an end, and the rapidly shifting situation required global, regional and national action. Seven areas deserved attention in order to develop appropriate tools to address the situation.

53. First, the current situation, unlike the oil crisis of the 1970s or the financial crisis of the late 1990s, was marked by a confluence of discrete crises that appeared to call for conflicting policies. Individual countries would not be able to cope; a clear vision, a plan for short-term action and a long-term global development strategy would all be necessary.

54. Second, a final push was needed in order to achieve a breakthrough in the Doha Round of negotiations by 21 July. The Director-General of the World Trade Organization had said that there was over a 50 per cent chance of success. It was unclear what would happen in the event of failure.

55. Third, the spin-off effect of the subprime mortgage crisis was also unclear. It was not certain that regions such as Asia could be shielded from the crisis, or indeed whether worse was still to come.

56. Fourth, fund flows from developing countries to advanced ones gave cause for concern. The same was true of the accumulation of sovereign wealth funds, which could help address the crisis by investing in ailing financial institutions in developed countries, but also risked having a disrupting effect. Such funds could be directed to benefit developing countries that had been subjected to volatilities.

57. Fifth, a global commitment to tackle inflation was required. Figures from the European Central Bank indicated that inflation had reached the highest level of the previous sixteen years. The situation of advanced economies appeared to be less serious than it had been in the 1970s, and wages were not spiralling. On the other hand, inflation in eleven of the major Asian economies weighted by GDP had doubled in the previous decade. The problem was compounded by the need to reduce energy subsidies and by the dilemmas of exchange rate policy.

58. Sixth, the rise in energy prices had not yet been adequately explained. Changes in supply and demand, the depreciation of the dollar and perhaps speculative moves in the futures market were all possible causes.

59. Seventh, it was important to find long-term solutions to the issue of food security. Many had called for another green revolution. However, seeds alone were of little use without water, management, transportation and so on. The question of genetic modification of seeds would also require discussion. It had been suggested at the recent High-level Conference on World Food Security in Rome that agricultural land could be used either for food or for biofuels, but the two were not mutually exclusive.

60. In order to address those issues, he called for market mechanisms to be strengthened and supplemented with effective global governance, and for States to play a more active role in development. Speculation alone should not be blamed for the current situation. The economist Paul Krugman had pointed out that tighter regulation of futures markets would not in itself bring back the era of cheap oil.

61. With regard to inflation, caution was necessary; the burden of a declining economy meant that demand management could result in over-adjustment. Nevertheless, the developing countries where inflation was highest should adjust their monetary policies in order to encourage savings-oriented behaviour.

62. With regard to agricultural development, the United Nations Secretary-General had emphasized three areas of action: delivery of food aid over a period of 18 months, and replenishment of the United Nations Central Emergency Response Fund; the lifting of restrictions on humanitarian food supplies and cutting of subsidies in developed countries; and an increase in development assistance from 3 to 10 per cent, without diverting funds from education or health. It was also important to continue the research that had led to the 1998 corn revolution in Africa.

63. Lastly, he called for a global strategy to prevent rises in oil prices; for the completion of the Doha Development Agenda and capacity-building through aid for trade; and for the poverty reduction strategy to be revisited so as to maintain the macroeconomic policies that least affected the poorest sectors of the economy.

64. **Mr. Portugal** (Deputy Managing Director, International Monetary Fund) said that the global economy was slowing in the wake of financial dislocations and the effects of soaring commodity prices on global demand. However, global activity seemed more resilient to the financial shock than IMF had originally projected. Although actual growth in the first quarter of 2008 had been stronger than anticipated, a protracted slowdown of global growth was still expected for the remaining quarters of 2008 and for 2009.

65. Growth in the United States had fallen below 1 per cent in each of the previous two quarters, and it was likely to slow in the eurozone, despite a first quarter stronger than IMF had anticipated. Japan's GDP had also grown faster than anticipated in the first quarter, but domestic demand was likely to weaken owing to higher food and fuel prices and slower wage growth. In emerging and developing markets, growth was projected to moderate only modestly in 2008 and 2009, because of robust domestic demand and the strong growth of export receipts in some commodity exporters.

66. Overall, the outlook for the global economy was better than expected. There were, however, three main downside risks. First, inflation risks, rooted largely in rising commodity prices, had accelerated and were a particular concern in some emerging economies. Second, while financial sector risks had moderated and markets had begun to stabilize, overall market

confidence remained fragile. Third, the shifting pattern of global imbalances was raising new concerns. As a result of the decline of the United States dollar in real effective terms, disproportionate adjustments in currencies of economies with flexible exchange rate regimes were producing new misalignments.

67. The task of responding to a cyclical slowdown and dealing with financial strains had been complicated considerably by the volatile behaviour of oil and other key commodity prices. Fiscal and monetary policy makers would need to respond flexibly to a re-emergence of financial strains, and work would be required to rebuild confidence and resilience in financial markets.

68. The world was facing serious challenges whose combined impact had far-reaching implications. Higher food and fuel prices were making it difficult for many developing countries to achieve the Millennium Development Goals and to decide which policies could be used to protect hard-won gains in poverty reduction. Choosing the right macroeconomic response was further complicated by other challenges created by the price increases. While higher fossil fuel prices reinforced the attractiveness of biofuels as an alternative energy source, arable land must not be reassigned from food production to biofuel production.

69. In an increasingly globalized economy, no country would be immune from the impact of price increases on global growth. The interrelated challenges must be addressed through the coordinated efforts of the international community and institutions, which should focus their work on all aspects of a complex global problem. Within the United Nations system, the Secretary-General's High-level Task Force on the Global Food Security Crisis and the MDG Africa Steering Group had brought together different actors in an effort to find solutions; IMF remained committed to playing a role in such collaborative efforts, which were more important than ever before.

70. **Mr. Lin** (Senior Vice President and Chief Economist, World Bank) said that, as previous speakers had noted, the world was facing high uncertainty and increased risks. Turmoil in financial markets, slowed growth in high-income countries and the rise of oil and food prices presented challenges to the growth prospects of developing countries. However, developing countries' resilience to date in the face of those challenges was due to four favourable factors: developing countries did not have large external imbalances or heavy short-term external debt, and they had substantial foreign reserves at their disposal, as well as healthy current account surpluses. Nevertheless, developing countries' growth was still projected to decline slightly, from 7.8 per cent in 2007 to a still relatively strong 6.5 per cent in 2008.

71. Growth of trade was projected to slow down, as were private capital flows to developing countries. The combined effect would force developing countries with large current account deficits to make macroeconomic adjustments. In addition, poor oil- and food-importing developing countries, hard hit by the rise in food and energy prices, would need extra resources to pay import bills. Moreover, price increases and strong domestic demand had caused inflation to rise in a number of countries; thus, continued price increases might gradually undermine the favourable factors that had underpinned developing countries' resilience. Preliminary World Bank estimates suggested that up to 105 million people could become poor because rising food prices had caused a decline in real incomes.

72. In that context, developing countries had to protect their most vulnerable citizens in a fiscally responsible way, by expanding social safety nets to provide targeted income support. Furthermore, the international donor community should act to meet countries' immediate humanitarian needs and to strengthen their social safety nets. Over the long term, it was necessary to increase investment in infrastructure and research in order to improve agricultural production; achieving an African Green Revolution should be a priority for countries in the region and their development partners. Developed countries must adopt a sensible biofuel policy that did not compete with grain for food, and all countries must work to improve energy efficiency, manage energy demand, and find new, cleaner, renewable energy supplies.

73. With regard to the MDGs, recent global economic developments and associated risks added to the challenges of achieving the eight targets. Thanks to robust economic growth over the previous years, the poverty goal was likely to be met at the global level, though the potential rise in poverty created new risks, and there were also serious shortfalls in fighting hunger and malnutrition. According to current trends, the human development MDGs were unlikely to be met. Large regional and national variations existed, but

most MDGs remained achievable for most countries if strong efforts were made by the countries and their development partners. The 2008 MDG midpoint provided a crucial opportunity for the international community to generate new momentum and agree on priorities for action.

74. The strategy to achieve the MDGs must focus on strong and inclusive economic growth, fostered by sound macroeconomic policies, a propitious private investment climate and good governance. Furthermore, the international community must accelerate progress towards the human development goals and commit more resources to key health and education programmes, also ensuring an improvement in the quality and equity of spending.

75. Environmental sustainability must be integrated into development work, particularly for the poor countries, which would suffer the most from climate change and were least able to adapt. Transferring technologies to developing countries for mitigation of carbon emissions required financial resources that should not be diverted from those resources allocated for previous commitments; new resources should be provided.

76. Achieving a successful outcome to the Doha Round of trade negotiations in 2008 was one of the most important steps that the international community could take to enhance inclusive and sustainable growth in developing countries. The current high food prices provided an opportunity to resolve the impasse on agricultural trade liberalization.

77. As regards financing for development, he stressed the need for donors to fulfil their aid commitments. Between 2004 and 2007, aid flows from Organisation for Economic Co-operation and Development-Development Assistance Committee (OECD-DAC) donors and aid to Africa had both increased by only one fifth of the targets. The emergence of new sources and modalities of aid posed new challenges; the Third High-Level Forum on Aid Effectiveness, scheduled for September 2008, would provide an excellent opportunity to discuss options for ensuring aid effectiveness and coherence. He also highlighted the role of private capital in meeting the large financing needs associated with the climate change agenda.

78. At Monterrey, the international community had agreed on a mutual accountability framework for development cooperation. Developing countries had promised to strengthen governance and improve the quality of their economic policies and institutions, and developed countries had agreed to support those efforts by increasing the quantity and quality of aid and to provide additional debt relief and greater market access. While progress had been made in debt relief, action with respect to aid and trade had lagged behind. The 2008 Follow-up International Conference on Financing for Development would therefore prove timely in revitalizing the mutual accountability framework as the MDG deadline approached.

79. The World Bank worked in close partnership with bilateral agencies and multilateral institutions to support the development agenda, and its programmes focused mainly on low-income countries, support to Africa, countries in vulnerable situations and on emergency response, including immediate and long-term responses to the food crisis. It sought to improve its responsiveness to the evolving needs of middle-income countries, many of which continued to face major development challenges. A further objective of the World Bank was to institute a strategic framework and strengthen investment mechanisms to address energy needs and the climate change agenda. The World Bank looked forward to consolidating its partnership with the Economic and Social Council in order to enhance convergence between the Council's political message and the Bank's comprehensive development focus.

80. **Ms. Rugwabiza** (Deputy Director-General of the World Trade Organization) said that, although the Doha Round could not provide immediate solutions to many of the current economic problems, there was no doubt that the successful conclusion of the Round would create the impetus necessary to put the international community back on the path to sustainable economic growth.

81. Progress in addressing the concerns of developing countries had been largely attributable to the revisions of the draft modalities for agriculture and non-agricultural market access (NAMA). Agreement on the elimination of all forms of export subsidies by 2013 would enhance the ability of developing and least developed countries to compete in a fairer, market-oriented agricultural trading system. In addition, developing countries stood to gain from reductions in domestic subsidies, since developed countries would make deeper cuts than developing countries. New disciplines would be strengthened and developed for

other forms of export support such as export credits, food aid and State trading enterprises. Through the NAMA negotiations, WTO members intended to further reduce the highest tariffs, which would provide flexibility for developing countries, generate new business opportunities in developed and developing countries and boost South-South trade.

82. However, there were still matters outstanding and the adoption of the modalities would represent progress. The WTO ministerial meeting scheduled for July 2008 was therefore expected to conclude agreements that would end trade-distorting support in agriculture and cut tariffs on agricultural and industrial goods, in preparation for the conclusion of the Doha Round at the end of 2008.

83. Clearly, there were some risks involved in holding such a meeting while members were still grappling with key issues, but the risk of inaction was even greater. Every possible attempt must be made to push the limits of flexibility and political will in striving for the early adoption of modalities. To that end, members must resolve the controversial points relating to both agriculture and industrial goods. The difficult issues were not insurmountable, given the necessary will. The urgency of completing the Doha Round was more acute than ever: development and investment, and especially the achievement of the Millennium Development Goals, were at stake.

84. In the midst of increased financial uncertainty, the WTO rules-based trading system provided an important source of economic stability for governments, business and consumers. Fairer and more competitive international trade would have the further benefit of lowering food prices. Such conclusions presupposed that trade-distorting agricultural subsidies that gave unfair advantages to rich farmers would be tackled and agricultural import tariffs lowered.

85. Developed countries and the larger developing countries needed to look beyond mercantilist gains and, more importantly, resist domestic protectionist pressures. Only then could the objective of restoring balance to the multilateral trading system in favour of development and poverty reduction be achieved.

86. **Mr. Ffrench-Davis** (Chairman of the Committee for Development Policy) said that external shocks tended to have a serious impact on developing economies, especially on overall growth. Their development potential was often underutilized and achievement of the MDGs delayed or impeded. A development-friendly international financial architecture was needed to provide adequate counter-cyclical official liquidity to low-income and middle-income economies that were adversely affected by external shocks. The urgent need to improve existing compensatory financing mechanisms and to design new ones had arisen from the dismal global economic outlook, and the fact that developing countries were quite vulnerable to an economic slowdown in developed countries. The need for action had also become more pressing as a result of major increases in the price of oil and foodstuffs, which had provoked social discontent in several countries.

87. Cushions of reserves and fiscal resources had created a buffer against external shocks, but high levels of reserves also represented a burden, mainly in terms of the opportunity cost of their diversion from investment. Official compensatory flows could play a crucial role in avoiding unnecessary or inefficient costs to developing countries by reducing the need for high levels of reserves and helping to avoid recessive adjustment. There had been excessive adjustments over the previous decade that had underutilized and discouraged potential development. In that regard, improved compensatory flows could potentially create effective protection for economic growth and the incomes of the poor.

88. Given the worsening global economic outlook, its implications for developing countries and the inadequacy of existing compensatory finance instruments, the Committee stressed the need for reforming the compensatory financing architecture to provide official liquidity and aid to developing countries that were negatively affected.

89. Special drawing rights could provide a significant increase in the availability of compensatory financing. Current prospects of diminishing economic activity and financial turmoil represented an appropriate context for the approved new allocation of special drawing rights, which should be completed as soon as possible.

90. **Mr. Steiner** (Executive Director of the United Nations Environment Programme) said that much of the current work of the United Nations Environment Programme addressed the sustainable development agenda and, by extension, the world economic outlook. Many of the issues under discussion related to essential elements of environmental change, use of natural resources and the way markets tried to rationalize

trends and predictions on the future state of the global economy in terms of access to resources. Many of the fundamental economic transformations taking place everywhere were indicative of long-term development trends that were inextricably linked to the investment patterns of various economies. He hoped that the Council's discussions would reconnect some of the strands of the debate on sustainable development.

91. Total investment in renewable energy worldwide had grown by 60 per cent, from 33 to 150 billion dollars between 2005 and 2007. Already, second quarter statistics for 2008 had shown that the upward trend was expected to continue. More than one fifth of new power generation in the global electricity system was due to investments in the renewable energy sector. That investment trend was relevant not only to developed economies, but also to developing countries where the trend had accelerated even more rapidly: China, India and Brazil alone had accounted for 22 per cent of the total share of investment in renewable energy.

92. Several speakers had highlighted the links between the response to the issue of climate change, sustainable development and the broader development agenda. In confronting the challenges posed by major economic transformations, and in responding to crises, risks and vulnerabilities, transformation must also be regarded in terms of sustainability, which called for more effective, efficient and intelligent use of available resources.

93. Transformative challenges should be understood not only as risks, but also as opportunities. The issue of climate change should no longer be reduced to a discussion on which countries could afford to respond or not, at least not in mitigation. In the adaptation sector, the search for credible answers was ongoing but in mitigation transformation of the energy mix and of the energy investment patterns of the next decades could fundamentally address the MDGs and the development agenda in the traditional sense.

94. Even with enormous infrastructure investments over the next twenty years, it would not be possible to reach the vast majority of people who were not already connected to electricity grids. Looking at the renewable energy sector was a prerequisite, not a luxury, in bringing about genuine change in the level of access to energy and electricity. The energy mix should be diversified in order to address overdependence on a few sources of energy. The international community should also strive to reduce the carbon footprint and encourage innovation and job creation, reduce the balance of payment pressure on economies in terms of oil prices, and reduce the pressure on future markets for hydrocarbons.

95. He appealed to national governments and international financing institutions to take a more proactive approach in facilitating investments along the lines that were already being signalled in the marketplace, but that were not being supported by a coherent policy framework and incentives.

96. The current economic downturn presented an opportunity for the international community to consider economic stimulus packages that viewed the energy sector from a different perspective. The United Nations Environment Programme and other agencies and programmes of the United Nations system, the World Bank and regional development banks could play a critical role in enabling investment and make a credible contribution to the efforts of developing countries to achieve the MDGs.

97. **Mr. Hackett** (Barbados) regretted that there was not sufficient time for members to discuss the many topics of interest that had been raised. He welcomed the high-level policy dialogue with the representatives of the international financial and trade institutions, and expressed the hope that there might be an opportunity for the members of the Council to have further interaction with the representatives of those institutions in the coming days.

The meeting rose at 1.15 p.m.